

BROADCAST MESSAGE ON 2005 PAY ADJUSTMENTS

Dear Fellow Employees:

Since 1996, when FAA was given the authority to set its own pay policies, the Administrator decides pay increases for the coming year.

Over the past year, we have had many great accomplishments that we can be very proud of, and I continue to be reminded of the tremendous service that you all provide for so many people, with such high quality, pride, and dedication. As we previously announced, based on these accomplishments, I have approved an Organizational Success Increase (OSI) of 90 percent, or a 3.15 percent increase for eligible employees covered by the Core Plan. In comparison, other Federal government employees in the GS pay system will receive a 2.5 percent general increase. The higher amount of the OSI represents a portion of the funds FAA previously spent on within-grade increases and quality step increases. In addition to the OSI, some employees will receive a Superior Contribution Increase (SCI), the amount of which will vary depending on the specific SCI process that applies. Also, locality pay rates will increase at the same rate as for other Federal government employees, by an average of one percent.

Pay adjustments for employees covered by negotiated pay agreements will be determined in accordance with the provisions of those agreements. Employees who remain in the FG and FM, pending completion of negotiations over pay, will receive the same 2.5 percent increase as Federal General Schedule (GS) employees. I have also approved an annual pay adjustment of 2.5 percent for employees in the executive compensation plan.

These adjustments became effective on January 9, 2005. The Office of Human Resource Management (AHR) has prepared detailed information about the pay increases, available on the FAA employee website at http://employees.faa.gov/jobs_pay/pay/. Questions about the pay adjustments may be referred to your servicing human resources management office, or to the AHR Policy Management Division, AHP-300, on (202) 385-8004.

I know that many employees are also interested in learning of our decision regarding potential changes to the Core Plan pay band ranges. I can assure you we have given this issue a great deal of thought and analysis. To ensure that our pay rates remain competitive, we conducted a market survey this past year, just as we have done every year since 1998 when we first implemented the Core Compensation Plan. The market survey assesses how FAA's salaries compare with similar positions in the private sector. We not only focus on aviation and aerospace industries, but we also incorporate market data from thousands of other companies to get a comprehensive picture of the private sector salary situation. A summary of this year's market survey data is available on the FAA employee website at the address provided above.

As I stated in our Town Hall meeting in November, the latest market data does not make a case for increasing the bands. The primary focus of a market-based pay system is the

salary levels. The annual pay band adjustments are used to keep the salaries aligned with the prevailing salaries in the labor market. The latest results show that FAA employees are, on average, paid very well in comparison to the market – currently approximately 11.4 percent above the market average, which now rises to 14.2 percent above the market after the January 9th OSI and SCI payouts. I have therefore decided not to make any adjustments to the Core bands at this time.

I recognize that for many employees, the issue is not how much they are paid, but rather the different rules that apply to other employees. I share that concern because I believe our compensation policies should be as consistent as possible. However, we operate in an environment where by law we are required to negotiate pay with our labor unions. As a result of previous agreements, we ended up with negotiated provisions where employees in two of our bargaining units are subject to a different policy on pay band maximums.

Most employees in the Core Compensation Plan or a negotiated version of the Plan are subject to the normal Plan policy that provides for lump sum payments if an employee's pay reaches the top of the pay band. The only employees not covered by that policy are the small number who were "grandfathered" because they ended up above the band maximum solely as a result of conversion to the new system, or those covered by the two aforementioned negotiated agreements. The number of employees currently affected by these exceptions to the normal policy account for less than 20 percent of the Core population. In addition, most air traffic controllers are in a separate pay plan – developed solely for the terminal and enroute controllers, managers, supervisors, and staff specialists – that is subject to different pay policies.

Some employees have suggested that we address this difference by changing the Core Compensation Plan policy to align with the two labor agreements. That, however, would not be consistent with a market-based compensation system. Moreover, according to compensation experts, it is a widespread practice in the private sector to cap salary increases at the top of a pay band. Our goal is to ensure that employee wages remain competitive with the private sector, and at the same time to be accountable to the American taxpayer. It is my intent – as we negotiate new contracts – to make the pay policies as consistent as possible with the Core Compensation Plan.

We will continue to analyze our pay policies and work to make our system as consistent, fair, and competitive as possible. Since many other Federal agencies, such as the Department of Defense, Department of Homeland Security, and the Government Accountability Office, are moving toward a pay for performance system, we will be comparing our policies with those proposed by these other agencies. We also expect to contract with an outside consultant over the next few months to evaluate our implementation of the Core Compensation Plan to date.

Once again, I very much appreciate your continued dedication and commitment, and the important work you do. I am very honored to be part of this organization and look forward to continuing to work with you during the new year.

Marion C. Blakey
Administrator